

Rate Cut is First Phase of Largest College Aid Expansion in Six Decades; Minority and Low-Middle-Income Students to Greatly Benefit

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Media Contact: Rebecca Dreilinger (202) 225-8203

FOR IMMEDIATE RELEASE

(Washington, DC) – Today, U.S. Representative Luis V. Gutierrez (D-IL) reminded constituents of good news for many college students and their families: as of Tuesday, July 1, 2008, they may be one of 128,756 Illinois residents who will become eligible for \$4,500 in student loans savings.

In September 2007, Congress enacted the College Cost Reduction and Access Act. Among its many provisions to make college more affordable, the law provided for cutting in half the interest rates on need-based (subsidized) federal student loans by 2011. The first rate cut -- from 6.8% to 6.0% -- occurs on July 1st -- making these loans more affordable for millions of low- and middle-income students. Additionally, over the next few years, these rates will continue to decrease until they reach 3.4 percent.

"No one should be denied the opportunity to go to college simply because of the cost," said Gutierrez. "Yet, because tuition at four-year public colleges has grown by 35 percent in the last five years, -- and more than 12 percent in Illinois over the past academic year alone -- this is exactly what is happening. This law is the single largest investment in college assistance since the G.I. Bill of 1944, and it will help millions of students and families pay for college at no new cost to taxpayers."

This cutting of the interest rate will benefit the 6.8 million students nationwide who borrow need-based federal student loans each year. Once fully phased in, this interest rate cut will save the typical Illinois student borrower at a four-year institution more than \$4,500 over the life of the loan.

WHO BENEFITS FROM THIS INTEREST RATE CUT?

- **Low- and middle-income students and families.**
- 6.8 million students borrow need-based federal student loans each year. Once fully phased in, this interest rate cut will save the typical borrower – with \$13,800 in need-based student loan debt – an average of \$4,400 over the life of the loan.
- Half of need-based federal student loan borrowers have family incomes between \$26,000-68,000. **[1]**
- In 2003-2004, the median income of need-based federal loan borrowers was \$45,000. By comparison, in 2004, the overall U.S. median family income was roughly \$54,000. **[2]**

- **African-American and Hispanic students and families.**
- About 38 percent of African-American students take out need-based student loans each year.
- About 25 percent of Hispanic Students take out need-based student loans each year.

ADDITIONAL BENEFITS

- **For the 2008-2009 school year, the College Cost Reduction and Access Act will**
- **Increase the Pell Grant scholarship by \$490 (raising the maximum award to \$4,731).**

- Provide up-front tuition assistance of \$4,000 each year for students who commit to teaching high-need subjects in high-need public schools.

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[1] Congressional Research Service

[2] Economic Policy Institute